

## **MINUTES**

### **MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON BUSINESS AND LABOR**

**Call to Order:** By **CHAIRMAN MIKE TAYLOR**, on February 12, 2001 at 8:00 A.M., in Room 422 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Mike Taylor, Chairman (R)  
Sen. Edward Butcher (R)  
Sen. Vicki Cocchiarella (D)  
Sen. Sam Kitzenberg (R)  
Sen. Dale Mahlum (R)  
Sen. Glenn Roush (D)  
Sen. Don Ryan (D)

**Members Excused:** Sen. Mike Sprague, Vice Chairman (R)  
Sen. Dale Berry (R)

**Members Absent:** None.

**Staff Present:** Bart Campbell, Legislative Branch  
Kyanne Kelly, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: SB 263, 2/9/2001; SB 330,  
2/9/2001; SB 373, 2/9/2001  
Executive Action: SB 263; SB 330

HEARING ON SB 263

Sponsor: SENATOR DALE MAHLUM, SD 35, MISSOULA

Proponents: Jeff Tiberi, Montana Heritage Commission  
Arnie Olson, Montana Historical Society  
Doug Monger, Fish, Wildlife & Parks  
Jeanette McKee, Montana Heritage Commission  
Stuart Doggett, Montana Inn Keepers  
Amy Sullivan, Montana Tourism Coalition

Opponents: None

Opening Statement by Sponsor:

*{Tape : 1; Side : A; Approx. Time Counter : 0.1}*

SENATOR DALE MAHLUM, SD 35, MISSOULA, said this would continue the funding for the Heritage Preservation Development Program from the accommodation tax, commonly known as the bed tax. He said this bill provides for \$400,000 from the people who come to visit Montana and pay the 4% bed tax.

Proponents' Testimony:

Jeff Tiberi, Montana Heritage Commission, said this bill deals with the life blood of the Virginia City project. He stated there is a lot of work that still needs to be done to bring Virginia City up to standard. He handed in his testimony.

**EXHIBIT (bus35a01)**

Arnie Olson, Montana Historical Society, said this is critical for operational funding of Virginia City. He handed in his testimony. **EXHIBIT (bus35a02)**

Doug Monger, Fish, Wildlife & Parks, said he supports this bill, and handed in his written testimony. **EXHIBIT (bus35a03)**

Jeanette McKee, Montana Heritage Commission, said she supports this bill.

Stuart Doggett, Montana Inn Keepers, said that a lot of progress has been made, but it is not done yet. He said he concurs with this bill.

**Amy Sullivan, Montana Tourism Coalition**, said she supports this bill. She thinks the work that is being done is good, but more is needed.

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:**

**SENATOR GLENN ROUSH** asked if Virginia City had a resort tax.

**Jeffery Tiberi** said yes it is a seasonal tax of 3%.

**SENATOR ROUSH** asked what the tax is used for.

**Jeffery Tiberi** said a part is set aside for property tax relief and a part is for marketing to bring more visitors in.

**SENATOR ROUSH** asked how much that tax brings in.

**Jeffery Tiberi** said it is around \$40-50,000 a year.

**SENATOR MAHLUM** asked **Barbara Pahl** to speak about Virginia City as far as national heritage is concerned.

**Barbara Pahl, Regional Director of National Trust for Historic Preservation** said Virginia City has national significance and international significance as well. She spoke of it as a one of a kind treasure which tells the story of Montana and also the story of the American West.

**CHAIRMAN MIKE TAYLOR** said he was afraid this will be a pit that needs endless resources, that it will never be self sustaining.

**Jeffery Tiberi** said this is a very real concern. He said that is the concern of the Heritage Commission also but that what is being asked for here is a base to begin to raise revenue.

**SENATOR DON RYAN** said these are projects that you don't know the value of until a later time. He said that tourists coming will spend their money in the towns along the way to and from Virginia City and that benefit is hard to measure, but a great asset to Montana as a whole.

**Closing by Sponsor:**

**{Tape : 1; Side : A; Approx. Time Counter : 24.8}**

**SENATOR MAHLUM, SD 35, MISSOULA** , said it takes time to start something new and it should not be expected to get into the red right away.

**HEARING ON SB 330**

**Sponsor:** SENATOR DALE MAHLUM, SD 35, MISSOULA

**Proponents:** Brenda Elias, State Auditors Office  
Verner Bertelson, MT Senior Citizens  
Chuck Northrahm, AARP  
Al Pontrelli, Association of Insurance Advisors

**Opponents:** None

**Opening Statement by Sponsor:**

*{Tape : 1; Side : B; Approx. Time Counter : 0.1}*

**SENATOR DALE MAHLUM, SD 35, MISSOULA**, said this bill is about pyramid schemes in Montana. He described two different things, multi-level distribution companies and pyramid schemes. He said that the multi-level distribution companies are legitimate and pyramid schemes are illegal.

**Proponents' Testimony:**

**Brenda Elias, State Auditors Office**, said this makes relatively minor changes to the law which deals with pyramid schemes. She said pyramid schemes have a compensation structure which is based only upon the ability to recruit others, as compared to multi-level distributions companies who sell a product. She spoke at length about the amendments she proposed.

**Verner Bertelson, Montana Senior Citizens**, said they are actively opposed to pyramid schemes, and support this bill.

**Chuck Northrahm, AARP**, said he supports this bill.

**Al Pontrelli, Association of Insurance and Financial Advisors**, said he supports this bill.

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:**

**CHAIRMAN MIKE TAYLOR** asked if this bill would increase the enforcement obligation.

**Brenda Elias** said it maintains the enforcement that they currently have, authority to pursue pyramid schemes would be unchanged.

**CHAIRMAN TAYLOR** asked how many people running pyramid schemes have been prosecuted or convicted?

**Brenda Elias** said there are two currently being investigated.

**CHAIRMAN TAYLOR** said that the definition of pyramid scheme as compared to multi-level should be clearly defined.

**Closing by Sponsor:**

**{Tape : 1; Side : B; Approx. Time Counter : 12.9}**

**SENATOR DALE MAHLUM, SD 35, MISSOULA,** said this bill is a protection for people.

**EXECUTIVE ACTION ON SB 263**

**Motion/Vote:** **SEN. MAHLUM** moved that **SB 263 DO PASS. Motion carried unanimously.**

**EXECUTIVE ACTION ON SB 330**

**Motion/Vote:** **SEN. MAHLUM** moved that **SB 330 AMENDMENTS BE ADOPTED. Motion carried unanimously.**

**Motion/Vote:** **SEN. MAHLUM** moved that **SB 330 DO PASS. Motion carried unanimously.**

**HEARING ON SB 373**

**Sponsor:** **SENATOR MIKE HALLIGAN, SD 34, MISSOULA**

**Proponents:**     **John Morrison, State Auditor**  
                      **Robert Minto, Attorneys Liability Protection Soc**  
                      **Betsy Griffing, State Auditors Office**  
                      **Aidan Myhre, MT Chamber of Commerce**

**Roger McGlenn, Independent Insurance Agents of MT  
Al Pontrelli, Association of Insurance Advisors**

Opponents: None

Opening Statement by Sponsor:

*{Tape : 1; Side : B; Approx. Time Counter : 23.2}*

**SENATOR MIKE HALLIGAN, SD 34, MISSOULA,** said a captive insurance company is a subsidiary company which is established to insure the parent company and its affiliates, in this case property and casualty is the focus. He said this bill would allow the formation and operation of captive insurance companies in Montana. He gave a hand out that showed the benefits of captive insurance companies. **EXHIBIT (bus35a04)**

Proponents' Testimony:

**John Morrison, State Auditor,** said he enthusiastically supports this bill. He further said that this would stimulate the state's economy. He pointed out that geographical location and transportation concerns which have hindered us in competing in manufacturing markets are not the same kind of significant obstacle in the world of financial services. He said this is an established industry and has worked in other states.

**Robert Minto, Attorneys Liability Protection Society,** said if you can buy re-insurance from a captive company you can buy down what you need to hold internally. He supports this bill.

**Betsy Griffing, State Auditors Office,** went through the bill section by section explaining what a captive company is.

**Aidan Myhre, Montana Chamber of Commerce,** said they support this bill because it is important for Montana to have a business friendly environment and to create an infrastructure to conduct business in our state.

**Roger McGlenn, Independent Insurance Agents of Montana,** said he supports the bill as a valuable tool in the rapidly changing insurance marketplace.

**Al Pontrelli, Association of Insurance Advisors,** said they support this bill because of the opportunity it offers Montana.

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:**

**SENATOR VICKI COCCHIARELLA** asked about the fees collected.

**Betsy Griffing** replied that the fee is the same as a regular insurer pays.

**SENATOR MAHLUM** asked if captive insurance companies were like a re-insurer.

**Robert Minto** said they may be re-insurers, but it isn't always. He used the example of his company where they insure lawyers up to 40 million dollars. He said they have 43 million dollars in assets, so they can't handle the entire risk, so their company takes the first 350,000 of each risk and they go out and reinsure in the commercial market the balance of the risk.

**CHAIRMAN TAYLOR** asked for the main difference between a regular insurance policy and a captive insurance policy.

**Robert Minto** replied the short answer is nothing, the only difference is the nature of the person who is on the obligation.

**CHAIRMAN TAYLOR** then asked if it was for tax reasons or liability reasons that they would be formed like this.

**Robert Minto** said it is primarily for cost reasons. He then said captives began in Bermuda as a tax shelter for companies who didn't want to pay income tax on insurance premiums. Then about 10 years into that process the federal government figured out they were losing billions of dollars a year in taxes, so they plugged the loophole and essentially domestic companies can't do that anymore. He stated that's what caused the growth in Vermont of captive insurance companies. The only tax advantage to a captive is that if a company pays the money to a captive company their reports show an insurance premium deduction.

**Closing by Sponsor:**

***{Tape : 2; Side : B; Approx. Time Counter : 5.8}***

**SENATOR MIKE HALLIGAN, SD 34, MISSOULA,** said this is an opportunity to attract clean, non-polluting, high paying jobs to Montana. He said this was modeled after the Vermont law.

**ADJOURNMENT**

Adjournment: 9:35 A.M.

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SEN. MIKE TAYLOR, Chairman

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KYANNE KELLY, Secretary

MT/KK

**EXHIBIT** (bus35aad)